

TOWNSHIP OF HELENA
ANTRIM COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Helena Township	County Antrim
Fiscal Year End June 30, 2006	Opinion Date November 14, 2006	Date Audit Report Submitted to State December 31, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

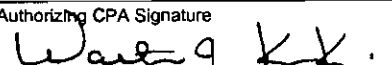
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Keskine, Cook, Miller & Alexander, LLP		Telephone Number 989-732-7515	
Street Address 100 W. 1st Street		City Gaylord	State MI
		Zip 49735	
Authorizing CPA Signature 		Printed Name WALTER J KESKINE	License Number 1101008795

Township Officials

Supervisor

Penny Wagner

Clerk

Ferol Frank

Treasurer

Catherine Rice

Trustees

James Gurr

Bill Bockstahler

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Keskin, Cook, Miller & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS **Independent Auditor's Report**

Walter J. Keskin, C.P.A.
Jeffrey B. Cook, C.P.A.
Richard W. Miller, C.P.A.
Ronald D. Alexander, C.P.A.
Curt A. Reppuhn, C.P.A.

November 14, 2006

To the Township Board
Helena Township
Antrim County, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund activities, and the aggregate remaining fund information of the Township of Helena, as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, the major fund activities and the aggregate remaining fund information of the Township of Helena as of June 30, 2006, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 – 4 and budgetary comparison information on pages 22 – 26 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

W. Keskin, Cook, Miller & Alexander LLP
KESKINE, COOK, MILLER & ALEXANDER, LLP

Helena Township
Management's Discussion and Analysis
Year Ended June 30, 2006

As the Township Board of the Helena Township, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of Helena Township for the fiscal year ended June 30, 2006.

FINANCIAL HIGHLIGHTS

The assets of Helena Township totaled approximately \$2,500,000 at June 30, 2006, of which approximately \$1,400,000 represents capital assets.

As of the close of the current fiscal year, Helena Township's governmental funds reported combined ending fund balances of \$432,000, and the net assets of the Township as a whole was \$1,788,000.

Revenues, as reported in the Statement of Activities approximated \$739,000 (\$126,000 represents program revenues, mostly consisting of grants and contributions, and \$613,000 represents general revenues, consisting mainly of property taxes).

Township expenses totaled approximately \$594,000, with the majority being spent on Township administration and recreation and culture.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to Helena Township's basic financial statements. The township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the township's finances, in a manner similar to a private-sector business.

The **statement of net assets** presents information on all of the township's assets and liabilities, with the difference between the two reported as **net assets**. Over time, increases or decreases in net assets may serve as a useful indicator of whether the township's financial position is improving or deteriorating.

The **statement of activities** presents information showing how the township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Helena Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds:

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of current resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Helena Township maintains the following individual governmental funds: General Fund, Cemetery Fund, Roads Fund, Ambulance Fund, Library Fund, and Fire Fund. The Ambulance and Cemetery Funds are considered non-major funds.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Helena Township, net assets totaled \$1,788,000, an increase of \$145,000 from the prior year. Key elements of this increase are as follows:

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. One noteworthy exception, however, is: The expenditures of certain grant monies received from various sources, as indicated in the financial statements.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

As noted earlier, this Township used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

In each fund, the most significant source of revenues is derived from the Township's property tax base. Increases in the taxable values within the Township have caused the property tax revenues to increase this past year.

Expenditures have remained consistent with the prior years, as the services offered by the Township have not changed significantly.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

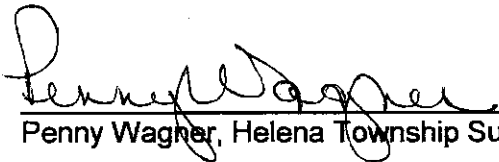
Capital assets. The Township's investment in capital assets for its governmental activities as of June 30, 2006 amounts to approximately \$1,400,000. This investment in capital assets includes: land, buildings, machinery, equipment, park facilities, etc.

Major capital asset events during the current fiscal year include an addition to the fire hall, still in process as of June 30, 2006, and the addition of land to the Coy Mountain hiking trails.

Long-term debt. The Township incurred \$500,000 in new debt during the year related to the addition on the fire department. Interest paid on long-term debt amounted to \$15,249.

CONTACTING TOWNSHIP MANAGEMENT

This financial report is designed to provide our taxpayers and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have questions concerning this report, please call the Helena Township Hall, (231) 331-4643.


Penny Wagner, Helena Township Supervisor

**TOWNSHIP OF HELENA
STATEMENT OF NET ASSETS
JUNE 30, 2006**

Assets		
Cash and equivalents	\$	420,329
Accounts receivable		11,831
Capital assets being depreciated, net		663,934
Capital assets not being depreciated		1,391,814
		<hr/>
Total Assets		2,487,908
Liabilities		
Noncurrent liabilities		
Due in one year or less		40,854
Due in more than one year		659,146
		<hr/>
Total Liabilities		700,000
		<hr/>
Net Assets		
Invested in capital assets		1,355,748
Unrestricted		432,160
		<hr/>
Total net assets	\$	1,787,908
		<hr/>

See accompanying notes to financial statements.

**TOWNSHIP OF HELENA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006**

	P R O G R A M R E V E N U E			NET REVENUE/ (EXPENSE) & CHANGES IN NET ASSETS TOTAL
	CHARGES FOR SERVICES	CAPITAL GRANTS & CONTRI- BUTIONS	OPERATING GRANTS & CONTRI- BUTIONS	
EXPENSES				
GOVERNMENTAL ACTIVITIES				
General government	(255,635)	16,907	-	(238,728)
Public safety	(8,792)	-	-	(8,792)
Recreation and culture	(259,809)	-	16,294	(150,822)
Public works	(69,412)	92,693	-	(69,412)
Interest on long-term debt	-	-	-	-
Total governmental activities	(593,648)	16,907	16,294	(467,754)
GENERAL REVENUES				
Property taxes, levied for:				
General purposes				100,451
Public safety				176,798
Public works				64,241
Recreation and culture				151,126
State shared revenue (not restricted to specific purpose)				61,183
Property tax administration fee				32,556
Interest earnings				10,875
Other				15,781
Total general revenues				613,011
Change in net assets				145,257
Net assets - beginning of year				1,642,651
Net assets - end of year				\$ 1,787,908

See accompanying notes to financial statements.

**TOWNSHIP OF HELENA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	General	Fire	Road	Library	Non-Major Funds	Total
Assets						
Cash and equivalents	\$ 178,117	\$ 54,909	\$ 82,954	\$ 86,421	\$ 17,928	\$ 420,329
Accounts receivable	11,831	-	-	-	-	11,831
Due from other funds	4,685	-	-	-	-	4,685
Total assets	194,633	54,909	82,954	86,421	17,928	436,845
Liabilities and Fund Balance						
Liabilities:						
Due to other funds	-	-	-	4,685	-	4,685
Fund balance:						
Reserved:						
Fire protection	-	54,909	-	-	-	54,909
Roads	-	-	82,954	-	-	82,954
Library	-	-	-	81,736	-	81,736
Cemetery	-	-	-	-	17,928	17,928
Undesignated, unreserved	194,633	-	-	-	-	194,633
Total fund balance	194,633	54,909	82,954	81,736	17,928	432,160
Total liabilities and fund balance	\$ 194,633	\$ 54,909	\$ 82,954	\$ 86,421	\$ 17,928	\$ 436,845

See accompanying notes to financial statements.

**TOWNSHIP OF HELENA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006**

TOTAL FUND BALANCE - GOVERNMENTAL ACTIVITIES (PER BALANCE SHEET - PAGE 7)	\$ 432,160
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Amounts reported for governmental activities in the Statement of Net Assets (page) are different because:

Capital assets used in governmental activities are not current resources and therefore are not recorded in the funds.	2,055,748
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Long-term liabilities, including notes/bonds payable and accrued liabilities are not due and payable in the current period and therefore are not reported in the funds.	(700,000)
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TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES (PER THE STATEMENT OF NET ASSETS - PAGE 5)	\$ 1,787,908
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See accompanying notes to financial statements.

TOWNSHIP OF HELENA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	General	Fire	Road	Library	Non-Major Funds	Total
Revenues						
Taxes and assessments	\$ 152,610	\$ 133,981	\$ 64,240	\$ 86,890	\$ 54,907	\$ 492,628
State sources	152,982	-	-	894	-	153,876
Donations	874	-	-	5,240	-	6,114
Charges for services	37,178	-	-	-	-	37,178
Rental income	22,661	-	-	-	-	22,661
Interest	6,835	963	2,004	886	186	10,874
Other	9,230	4,508	-	13,087	750	27,575
Total revenues	382,370	139,452	66,244	106,997	55,843	750,906
Expenditures						
Current:						
General government	237,142	-	-	-	-	237,142
Public safety	-	65,867	-	-	42,819	108,686
Public works	-	-	69,412	-	-	69,412
Recreation and culture	40,519	-	-	99,441	-	139,960
Cemetery	-	-	-	-	9,844	9,844
Capital outlay	129,065	593,503	-	-	-	722,568
Total expenditures	406,726	659,370	69,412	99,441	52,663	1,287,612
Excess (deficiency) of revenues over expenditures	(24,356)	(519,918)	(3,168)	7,556	3,180	(536,706)
Other financing sources						
Loan proceeds	-	500,000	-	-	-	500,000
Excess (deficiency) of revenues and other sources over expenditures	(24,356)	(19,918)	(3,168)	7,556	3,180	(36,706)
Fund Balance - beginning of year	218,989	74,827	86,122	74,180	14,748	468,866
Fund Balance - end of year	\$ 194,633	\$ 54,909	\$ 82,954	\$ 81,736	\$ 17,928	\$ 432,160

See accompanying notes to financial statements.

**TOWNSHIP OF HELENA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (PER PAGE 9)	\$ (36,706)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, the government-wide statements allocate the cost of those assets over their estimated useful lives	722,568
Depreciation expense is recorded in the statement of activities but not the governmental fund financial statements.	(40,605)
Increase of long-term accrued liabilities is not recorded in governmental funds.	(500,000)
CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES - PER STATEMENT OF ACTIVITIES (PER PAGE 6)	\$ 145,257

See accompanying notes to financial statements.

**TOWNSHIP OF HELENA
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2006**

	Assets	
Cash and equivalents		\$ 11,194
		<hr/>
	Liabilities	
Due to other funds		10,747
Due to schools		437
Due to individuals		10
		<hr/>
Total Liabilities		\$ 11,194
		<hr/>

See accompanying notes to financial statements.

**TOWNSHIP OF HELENA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE A: ENTITY

The Township of Helena is a general law township of the State of Michigan located in Antrim County, Michigan. It operates under an elected board and provides service to its residents in many areas including public safety, community enrichment and human services. The criteria established for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements include all of the governmental functions of Helena Township. The following activities are included in this report:

1. All general activities of Helena Township including building, cemetery, parks and other governmental activities.
2. South Torch Lake Fire District.
3. Helena Township Public Library.
4. Helena Township Downtown Development Authority

DISCRETE COMPONENT UNIT

The Helena Township Downtown Development Authority (DDA) was created in 1988 under Public Act. No. 197 of 1975. The DDA has been determined to be a discrete component unit based on the following factors:

1. The DDA is a legally separate entity
2. The DDA operates under a separate governing board, but board elections are approved by the primary government (Helena Township).
3. Helena Township has the ability to impose its will on the DDA and has the potential for benefit or burden as a result of DDA activities.
4. Excluding the DDA from the financial statements of Helena Township would be misleading to users of its financial statements.

As the DDA had no fiscal activity and has no residual fund equity as of the year ended June 30, 2006, these financial statements contain no DDA balances.

JOINT VENTURE

In August 2001, Helena Township approved a nine-Township Ambulance agreement in order to create the Township Ambulance Authority. Each of the nine Townships, including Helena Township, passed a milage of 0.5000 mills to support the Authority's activities.

The Authority will operate under the direction of a nine member Board of Directors, one from each Township.

**TOWNSHIP OF HELENA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE A: ENTITY (CONTINUED)

JOINT VENTURE (CONTINUED)

Upon creation of the Township Ambulance Authority, the Authority purchased all ambulance equipment from Allied EMS, the organization from which the Townships contract ambulance services. The Authority now leases the equipment to Allied EMS and contracts ambulance services from Allied EMS. Allied EMS bills each Township quarterly for its portion of the cost to provide ambulance services. The costs are paid for with the monies collected from each Township's millage.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of Helena Township are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations including required disclosures of the Township's financial activities.

The accounting policies of Helena Township conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Township as a whole, excluding fiduciary activities, such as tax collection activities.

Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. The Township does not engage in any business-type activities.

**TOWNSHIP OF HELENA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION
(CONTINUED)**

Government-Wide Financial Statements (Continued)

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Township reports the following major governmental funds:

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants and other inter-governmental revenues.

Fire Fund – This fund is used to account for all financial activity related to the South Torch Lake Fire District. The main source of revenue is derived from property taxes.

Road Fund – This fund is used to account for the financial activity related to the repair and maintenance of Township roads. Revenues are derived primarily from property taxes.

**TOWNSHIP OF HELENA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND TYPES AND MAJOR FUNDS (CONTINUED)

Library Fund – This fund is used to account for the Township Library's activities. Revenues are derived from property tax assessments.

The Township reports its Ambulance and Cemetery Funds as non-major funds.

Other Funds

Fiduciary Fund - This fund is used to account for assets held in trust or as an agent for others. Tax collection activities are recorded in this category. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Township departments.

Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

**TOWNSHIP OF HELENA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Governmental Fund Financial Statements (Continued)

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

PROPERTY TAXES

The 2005 property tax calendar is as follows:

	WINTER LEVY	SUMMER LEVY
Lien Date	December 31, 2004	June 30, 2005
Levy Date	December 1, 2005	July 1, 2005
Due Date	February 15, 2005	September 14, 2004

The real property tax rolls were turned over to the County of Antrim on March 1. Collection of personal property taxes remains the responsibility of the Township. Amounts collected after the due date are assessed interest and/or penalty provisions. A county revolving fund normally pays the balance of the Township's tax levy.

BUDGETS

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Township for budgetary funds were adopted on a fund level. Budgets are normally formulated during May and June of each year and a budget hearing is held in June. The board normally adopts the budget just prior to July 1. The budgets as presented in these financial statements have been amended throughout the year. They were adopted using the modified accrual method of accounting. They expire on June 30 of each year. There are no carryover items. The Township experienced over expenditures for the year ended June 30, 2006.

**TOWNSHIP OF HELENA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CAPITAL ASSETS AND DEPRECIATION

The Township's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with historical cost of \$5,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Computers and peripherals	5 years
Buildings and improvements	40 – 50 years
Furniture and equipment	10 – 20 years
Fire vehicles	20 years

Land and construction in progress are not depreciated. For information describing capital assets, see Note E.

**LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND
DISCOUNTS/PREMIUMS**

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

**TOWNSHIP OF HELENA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE C: CASH AND EQUIVALENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan.

The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township of Helena's deposits and investment policies are in accordance with statutory authority.

At June 30, 2006 the Township's deposits were reported in the basic financial statements as follows:

General Government	\$ 196,279
Library	86,421
Fire	54,909
Roads & Cemetery CD	<u>82,720</u>
Total	<u>\$ 420,329</u>

Deposits

The bank balance of the Township's deposits is \$420,623, of which \$329,087 is covered by federal depository insurance. The remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of the FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

NOTE D: RECEIVABLES

DUE FROM STATE OF MICHIGAN

The amount of \$8,955 due from the State of Michigan represents the June State Shared Revenue payment received by the Township in July 2006.

TOWNSHIP OF HELENA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

NOTE E: CAPITAL ASSETS

Governmental Activities:	July 1, 2005	Additions	Disposals	June 30, 2006
Capital assets not being depreciated:				
Land	\$ 191,920	\$ 129,065	\$ -	\$ 320,985
Construction in Progress	<u>477,326</u>	<u>593,503</u>	<u>-</u>	<u>1,070,829</u>
Subtotal	669,246	722,568	-	1,391,814
Capital assets being depreciated:				
Buildings	405,444	-	-	405,444
Furniture & Equipment	<u>816,271</u>	<u>-</u>	<u>-</u>	<u>816,271</u>
Subtotal	1,221,715	-	-	1,221,715
Accumulated depreciation:				
Buildings	105,415	8,109	-	113,524
Furniture & Equipment	<u>411,761</u>	<u>32,496</u>	<u>-</u>	<u>444,257</u>
Subtotal	<u>517,176</u>	<u>40,605</u>	<u>-</u>	<u>557,781</u>
Net capital assets being depreciated	704,539	(40,605)	-	663,934
Net capital assets	<u>\$ 1,373,785</u>	<u>\$ 681,963</u>	<u>\$ -</u>	<u>\$ 2,055,748</u>

Depreciation expense was charged to functions of the Township as follows:

Governmental Activities

Township Hall	\$ 8,650
Fire	29,170
Parks	1,753
Library	<u>1,032</u>
Total	<u>\$ 40,605</u>

NOTE F: LONG-TERM DEBT

In fiscal year 2005 the Township began drawing on a construction loan to add on to the current fire department, the South Torch Lake Fire Department. At the end of fiscal year 2006 the balance on that loan was \$700,000. This loan was renewed as a term loan at 5.75%, with payments of \$75,000, including interest, due annually on March 15 beginning in 2007.

Subsequent to June 30, 2006 an additional \$50,000 was drawn on the loan.

**TOWNSHIP OF HELENA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE F: LONG-TERM DEBT (CONTINUED)

A summary of changes in long-term debt is as follows:

Governmental activities:	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Installment purchase contracts:				
Fire department addition, payable in annual installments of \$75,000 including interest of 5.75% through March 2021	\$ 200,000	\$ 500,000	\$ 700,000	\$ 40,854

Annual debt service requirements to maturity for the above installment purchase contracts are as follows:

	Governmental Activities		
	Principle	Interest	Total
2007	\$ 40,854	\$ 34,146	\$ 75,000
2008	34,224	40,776	75,000
2009	36,192	38,808	75,000
2010	38,273	36,727	75,000
2011	40,474	34,526	75,000
2012-2016	296,677	153,323	450,000
2017-2021	263,306	39,105	302,411
	<u>\$ 486,694</u>	<u>\$ 338,306</u>	<u>\$ 1,127,411</u>

NOTE G: PENSION PLAN

The Township of Helena contributes to a pension plan which is a defined contribution pension plan administered by the Manufacturers Life Insurance Company. The plan was adopted January 1, 1992.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under the Township's defined contribution pension plan, the benefits a participant will receive depends on the amount contributed to the participant's account and the returns earned on investments of those contributions.

All full-time employees and elected officials are eligible to participate in the plan. Contributions made by the Township and employees are fully vested. The participant will receive all vested benefits upon termination of employment with the Township.

**TOWNSHIP OF HELENA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE G: PENSION PLAN (CONTINUED)

The plan requires the Township to contribute 6.2% of the eligible employee's wages. Additionally, each participant may make voluntary contributions up to 10% of their salary. The Township has met all pension obligations for the year ended June 30, 2006. The Township's contribution for the year totals \$13,091.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

NOTE H: CONTINGENCIES

INSURANCE COVERAGE

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters.

The Township participates in the Michigan Township Participants plan, a self insured group. The pool is considered a public entity risk pool. The Township pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage.

NOTE I: RELATED PARTY TRANSACTIONS

The company employed to construct the fire hall addition, Crawford Builders, LLC, is owned by a South Torch Lake Fire Department Board member. The total amount paid to Crawford Builders, LLC was \$126,615.

TOWNSHIP OF HELENA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2006

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Revenues				
State sources	\$ 277,000	\$ 277,000	\$ 152,982	\$ (124,018)
Taxes and assessments	183,054	183,054	152,610	(30,444)
Donations	1,100	1,100	874	(226)
Charges for services	2,800	2,800	37,178	34,378
Rental income	27,400	27,400	22,661	(4,739)
Interest	3,100	3,100	6,835	3,735
Miscellaneous	56,194	56,194	9,230	(46,964)
Total Revenues	550,648	550,648	382,370	(168,278)
Expenditures				
General government				
Township Board:				
Salaries	7,500	7,500	4,896	2,604
Payroll taxes and fringes	5,200	5,200	4,469	731
Office supplies	3,500	3,500	2,573	927
Repair and maintenance	14,607	14,607	7,590	7,017
Professional fees	17,000	17,000	9,374	7,626
Pension	12,000	12,000	11,012	988
Insurance	9,500	9,500	9,352	148
Capital outlay	3,000	3,000	2,910	90
Advertising	3,000	3,000	1,369	1,631
Utilities	7,000	7,000	5,700	1,300
Telephone	3,000	3,000	1,339	1,661
Transportation and education	60,844	60,844	4,278	56,566
Total Township Board	146,151	146,151	64,862	81,289
Township Supervisor:				
Salaries	14,830	14,830	14,694	136
Office expense	1,980	1,980	1,360	620
Total Township Supervisor	16,810	16,810	16,054	756
Election:				
Office supplies	500	500	132	368
Services	1,600	1,600	1,290	310
Total Election	2,100	2,100	1,422	678
Township Clerk:				
Salaries	17,700	17,700	17,444	256
Office supplies	1,000	1,000	600	400
Miscellaneous	1,060	1,060	750	310
Total Township Clerk	19,760	19,760	18,794	966

See accompanying notes to financial statements

TOWNSHIP OF HELENA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2006

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Township Treasurer:				
Salaries	23,400	23,400	23,276	124
Office expense	3,560	3,560	3,066	494
Total Township Treasurer	26,960	26,960	26,342	618
Township Assessor:				
Assessor fees	14,330	14,330	14,330	-
Office expenses	800	800	711	89
Total Township Assessor	15,130	15,130	15,041	89
Building and Grounds:				
Salaries	30,270	30,270	30,267	3
Telephone	1,000	1,000	832	168
Utilities	15,820	15,820	15,819	1
Repair and maintenance	6,340	6,340	6,335	5
Miscellaneous	460	460	400	60
Building supplies	3,280	3,280	3,280	-
Insurance - community center	7,800	7,800	7,789	11
Total Building and Grounds	64,970	64,970	64,722	248
Planning and Zoning:				
Salaries	18,180	18,180	17,190	990
Office expense, legal, & other	15,170	15,170	12,715	2,455
Total Planning and Zoning	33,350	33,350	29,905	3,445
Total General Government	325,231	325,231	237,142	88,089
Recreation and Culture				
Parks:				
Wages	20,000	20,000	18,440	1,560
Utilities	900	900	885	15
Repairs, maintenance, & supplies	11,800	11,800	9,801	1,999
Insurance	1,560	1,560	1,558	2
Capital outlay	237,440	237,440	136,706	100,734
Other	4,300	4,300	2,194	2,106
Total Parks	276,000	276,000	169,584	106,416
Total Expenditures	601,231	601,231	406,726	194,505
Excess (Deficiency) of Revenues over Expenditures	(50,583)	(50,583)	(24,356)	26,227
Fund Balance - Beginning of Year	218,989	218,989	218,989	-
Fund Balance - End of Year	\$ 168,406	\$ 168,406	\$ 194,633	\$ 26,227

See accompanying notes to financial statements

TOWNSHIP OF HELENA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FIRE FUND
YEAR ENDED JUNE 30, 2006

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Revenues				
Taxes and assessments	\$ 130,792	\$ 134,201	\$ 133,981	\$ (220)
Interest	600	400	963	563
Miscellaneous	-	4,000	4,508	508
Total Revenues	131,392	138,601	139,452	851
Expenditures				
Firemen - contractual	10,078	16,218	16,218	-
Office expenses	7,400	8,858	8,547	311
Operating supplies	12,499	2,686	14,104	(11,418)
Repairs and Maintenance	3,840	2,247	2,422	(175)
Professional services	2,071	835	890	(55)
Vehicle expense	3,835	8,190	7,875	315
Insurance and bonds	10,274	11,492	11,492	-
Education and training	4,434	2,347	2,346	1
Building addition	200,000	589,140	593,503	(4,363)
Miscellaneous	2,341	2,898	1,973	925
Total Expenditures	256,772	644,911	659,370	(14,459)
Other Financing Sources				
Loan proceeds	200,000	500,000	500,000	-
Excess (Deficiency) of Revenues over Expenditures	74,620	(6,310)	(19,918)	(13,608)
Fund Balance - Beginning of Year	74,827	74,827	74,827	-
Fund Balance - End of Year	\$ 149,447	\$ 68,517	\$ 54,909	\$ (13,608)

See accompanying notes to financial statements

TOWNSHIP OF HELENA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ROAD FUND
YEAR ENDED JUNE 30, 2006

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance From Final Amended Budget</u>
Revenues				
Taxes and assessments	\$ 127,215	\$ 127,215	\$ 64,240	\$ (62,975)
Interest income	-	-	2,004	2,004
	<u>127,215</u>	<u>127,215</u>	<u>66,244</u>	<u>(60,971)</u>
Expenditures				
Road construction, repair & maintenance	-	-	69,412	(69,412)
	<u>-</u>	<u>-</u>	<u>69,412</u>	<u>(69,412)</u>
Excess (deficiency) of revenues over expenditures	127,215	127,215	(3,168)	(130,383)
Fund balance - beginning of year	<u>86,122</u>	<u>86,122</u>	<u>86,122</u>	<u>-</u>
Fund balance - end of year	<u>\$ 213,337</u>	<u>\$ 213,337</u>	<u>\$ 82,954</u>	<u>\$ (130,383)</u>

See accompanying notes to financial statements

TOWNSHIP OF HELENA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
LIBRARY FUND
YEAR ENDED JUNE 30, 2006

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Revenues				
State sources	\$ 350	\$ 350	\$ 894	\$ 544
Taxes and assessments	88,000	88,000	86,890	(1,110)
Interest	250	250	886	636
Book sales and other	8,270	8,270	13,087	4,817
Donations	2,500	2,500	5,240	2,740
Total Revenues	99,370	99,370	106,997	7,627
Expenditures				
Salaries and fringe benefits	53,544	53,544	44,832	8,712
Office expense	17,270	17,270	17,172	98
Technology upgrades	7,500	7,500	-	7,500
Repairs and maintenance	750	750	3,693	(2,943)
Professional fees	500	500	348	152
Education	775	775	197	578
Insurance	-	-	16,191	(16,191)
Equipment	500	500	3,390	(2,890)
Books	14,000	14,000	13,593	407
Other	500	500	25	475
Total Expenditures	95,339	95,339	99,441	(4,102)
Excess of revenues over expenditures	4,031	4,031	7,556	3,525
Fund balance - beginning of year	74,180	74,180	74,180	-
Fund balance - end of year	\$ 78,211	\$ 78,211	\$ 81,736	\$ 3,525

See accompanying notes to financial statements

**TOWNSHIP OF HELENA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006**

	<u>Ambulance</u>	<u>Cemetery</u>	<u>Total</u>
Assets			
Cash and equivalents	\$ -	\$ 17,928	\$ 17,928
	<u> </u>	<u> </u>	<u> </u>
Fund Equity			
Reserved	-	17,928	17,928
	<u> </u>	<u> </u>	<u> </u>
Total fund equity	\$ -	\$ 17,928	\$ 17,928
	<u> </u>	<u> </u>	<u> </u>

See accompanying notes to financial statements

**TOWNSHIP OF HELENA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006**

	<u>Ambulance</u>	<u>Cemetery</u>	<u>Total</u>
Revenues			
Taxes and assessments	\$ 42,819	\$ 12,088	\$ 54,907
Interest	-	186	186
Miscellaneous	-	750	750
	<hr/>	<hr/>	<hr/>
Total Revenues	42,819	13,024	55,843
	<hr/>	<hr/>	<hr/>
Expenditures			
Wages and fringe benefits	-	7,064	7,064
Repairs and maintenance	-	1,478	1,478
Insurance	-	519	519
Capital outlay	-	409	409
Miscellaneous	-	374	374
Contracted ambulance services	42,819	-	42,819
	<hr/>	<hr/>	<hr/>
Total Expenditures	42,819	9,844	52,663
	<hr/>	<hr/>	<hr/>
Excess of Revenues over Expenditures	-	3,180	3,180
	<hr/>	<hr/>	<hr/>
Fund Balance - Beginning of Year	-	14,748	14,748
	<hr/>	<hr/>	<hr/>
Fund Balance - End of Year	\$ -	\$ 17,928	\$ 17,928
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to financial statements



Keskin, Cook, Miller & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

November 14, 2006

To the Township Board
Township of Helena
Antrim County, Michigan

Walter J. Keskin, C.P.A.
Jeffrey B. Cook, C.P.A.
Richard W. Miller, C.P.A.
Ronald D. Alexander, C.P.A.
Curt A. Reppuhn, C.P.A.

We have audited the financial statements of the Township of Helena for the year ended June 30, 2006, and have issued our report thereon dated November 14, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 16, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Township of Helena. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Helena are described in the notes to the financial statements.

We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. The following attached pages summarize the adjustments that were proposed to management and made to the audited financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

During the course of the audit planning and fieldwork we encountered some difficulties. The difficulties encountered during the audit were:

- The fund trial balances provided by Helena Township did not balance within various funds. The trial balance did balance in total (entity wide). However, each fund should be self-balancing and transactions should be recorded only in one fund. This is an essential element for quality reporting for all governments.
- The cash balance recorded on the trial balance in the Fire Fund did not agree to the bank reconciliation prepared by Helena Township. The adjustment required was made in the course of the audit fieldwork. However, the bank reconciliation is the key internal control over cash within any entity. If the trial balance does not agree to the reconciled balance, management must resolve this issue.

Comments and Recommendations

In planning and performing our audit of the financial statements of the Township of Helena, we considered the Township's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit procedures, we became aware of certain matters that represent opportunities for strengthening internal controls and operating efficiency. The following comment and recommendation should be implemented to the extent possible in order to strengthen internal controls and operating efficiency.

- It was noted during the audit that the Township did not issue 1099's to the firefighters. Internal Revenue Service regulations state any entity that pays any non-corporation more than \$600 is required to issue a form 1099 to this vendor. Failure to comply with this regulation may result in penalties and interest being assessed against the Fire Department. It would be our recommendation that the Township issue 1099's to all vendors that are not corporations, and paid more than \$600 in any calendar year.
- In review of the board minutes it was noted that the only documentation regarding the payment of bills was that the "board approved bills". No further explanation of the amounts, checks, vendors was provided within the minutes. The purpose of the Board minutes is to adequately document the items discussed and approved by the Board. The details should include information so that individuals (board members, citizens, etc) not attending the meeting have no questions regarding what occurred during the meeting. It would be our recommendation that the Township document the total of the expenditures approved and reference an attached schedule within the minutes. The attached schedule should detail the expenditures being presented to the board for approval. The Township maybe doing this in part, however the minutes lack the documentation to reflect what is being approved.
- In review of the board minutes it was noted that the adoption of the budget was inadequately documented. All governments have the ability to adopt budgets on any level that they elect. These levels include the fund level, activity level, and the account line level. The State of Michigan recommends that local units of government adopt an activity based budget. It would be our recommendation that Helena Township document in the minutes the level at which they are adopting the budget. Furthermore, we would recommend that the Township document totals such as fund total revenues, and fund total expenditures within the minutes. Details of the budget should be attached to the minutes.
- It was noted during the auditing of payroll expenses that the 941 reports did not agree to the W-2's and W-3 for the calendar year 2005. This appeared to be a clerical error made by the Township. This error should not result in any further taxes, penalties, or interest. However, the Township may receive a notice from the Internal Revenue Service related to this error. It is our recommendation that the Township review the 941 reports in conjunction with the filing of the W-2's and W-3 with the Federal government.

We hope you find the above comments and recommendations useful. We are available to assist you in implementing these items should the need arise.

This information is intended solely for the information of the Township of Helena's Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

K.K. Cook *Mich : alexander up*

Keskine, Cook, Miller & Alexander LLP